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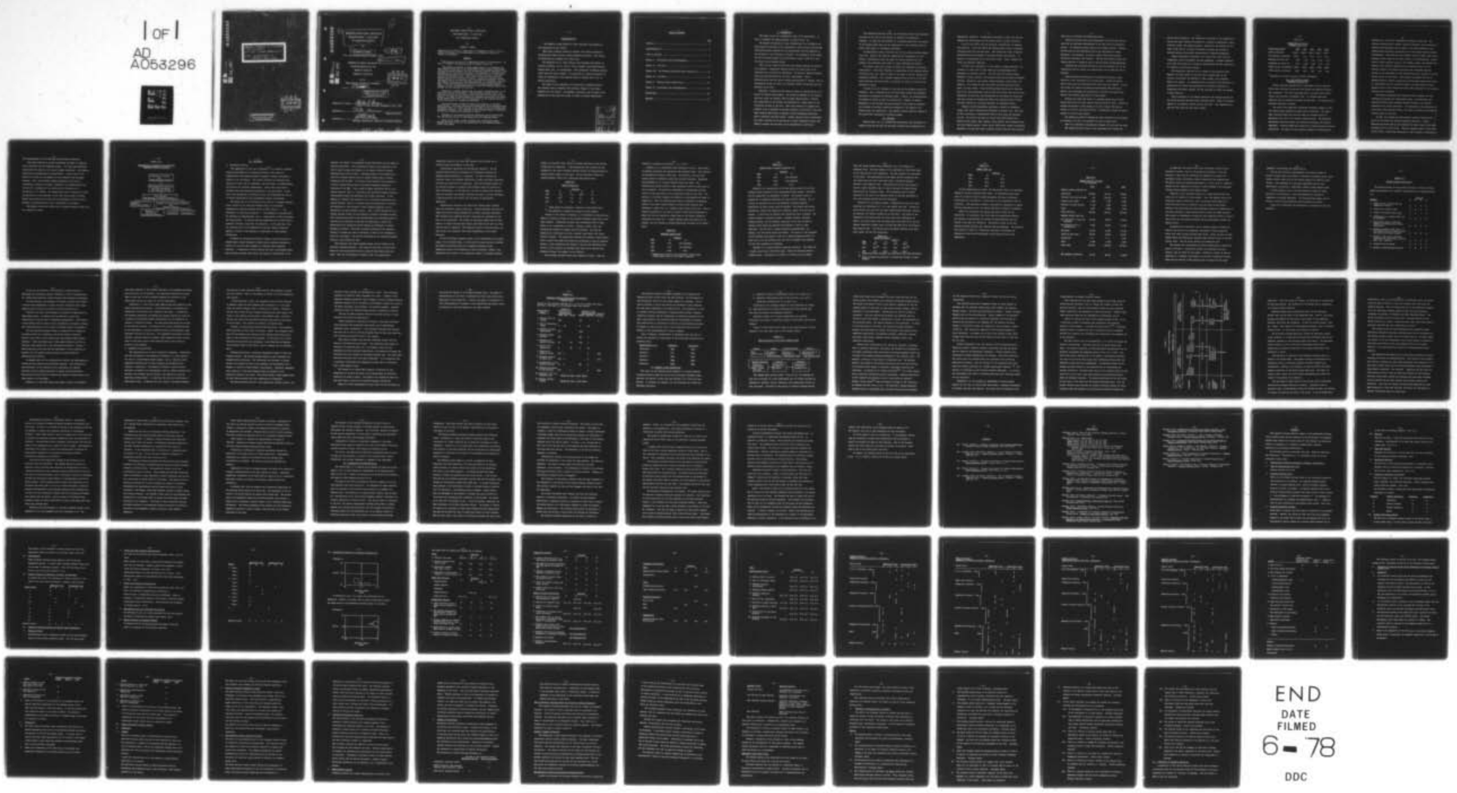

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MAJOR STANLEY G. GENEGA
135-34-0493
STU. DET. FT. BEN. HARRISON, IN.
HOME: 16 HERITAGE LN.
NATICK, MASS 01760

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LONG-RANGE PLANNING NEEDS, CAPABILITIES AND EFFECTIVENESS - A CASE STUDY OF A DIVERSIFIED COMPANY.

by

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Signature of Author.....Stanley G. Genega.....
Alfred P. Sloan School of Management, May 1, 1977

Certified by.....Peter Lorange.....
Thesis Supervisor

Accepted by.....
Chairman, Departmental Committee on Graduate Students

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by

STANLEY G. GENEGA

Submitted to the Alfred P. Sloan School of Management on May 12, 1977 in partial fulfillment of the requirements of the Degree of Master of Science in Management.

ABSTRACT

This paper is one part of a comparative study of 29 corporations. As such, it examines the planning system of General Mills, Inc.

The purpose of planning in large organizations is to coordinate the many separate activities of the organization, foster greater efficiencies, and provide greater strength for the organization than the summation of the strengths of the individual activities. The complexity of the issues and the increasing changes in the environment create a need for a long term focus in the planning system. Thus, we see a need for what have been labeled adaptive and integrative planning. Integrative planning insures the proper mesh of the resources used to provide for efficiency. The need for adaptive planning stems from discontinuities in the firm's environment. These discontinuities take the form of various opportunities or threats, that is, contingencies which can affect the strength, health, and perhaps the very existence of the firm.

Typically, a balance between these two types of planning focus is required for overall effectiveness. The situational setting, goals, and risk taking profile of the firm determine the needs for the firm for this balance. To judge the effectiveness of a planning system then, the degree of fit between these needs and the capabilities of the planning system to fulfil these needs is a necessary measurement.

The overall study attempts to measure the relevance of the above stated points. This paper examines the capabilities of the planning system of General Mills, Inc. (GMI) in light of the needs of GMI for adaptive and integrative planning. Four divisions of GMI have been chosen to represent the firm as a whole and its variation in parts.

Personnel in the Corporate Planning Department and GMI publications were the primary sources of information about the planning system.

Based on this study, I have concluded that a good match exists between the needs of GMI and the capabilities of the planning system to fulfil these needs.

Acknowledgements

I am indebted to many people for their assistance and guidance in the preparation of this thesis.

Many fellow students involved in similar case studies assisted by providing many ideas and much thought-provoking discussion. The sharing of information and insights was a great help.

The assistance of Mr. Verne Johnson, Vice-President and Director of Corporate Planning, and Mr. James F. Olsen, Manager, Long-range Planning, General Mills, Inc., is acknowledged. Their generosity in funding required travel made this study possible. In particular, Mr. Olsen's patience as a source of information on the planning system of General Mills, Inc. is greatly appreciated.

The basis for the examination of General Mills' planning system is the research done by Professor Peter Lorange, Chairman of the Thesis Committee for this thesis. His guidance, assistance, and critique in the preparation of this paper and review of drafts is greatly appreciated.

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I. INTRODUCTION

This paper is part of a comparative study of 29 corporations. As such, it examines the planning system of General Mills, Inc.

The purpose of planning in large organizations is to coordinate the many separate activities of the organization, foster greater efficiencies, and provide greater strength for the organization than the summation of the strengths of the individual activities. The complexity of the issues and the increasing changes in the environment create a need for a long term focus in the planning system.

Thus, we see a need for what have been labeled adaptive and integrative planning. Integrative planning insures the proper mesh of the resources used to provide for efficiency. The need for adaptive planning stems from discontinuities in the firm's environment. These discontinuities take the form of various opportunities or threats, that is, contingencies which can affect the strength, health, and perhaps the very existence of the firm.

Typically, a balance between these two types of planning focus is required for overall effectiveness. Too strong an emphasis on the integrative side could, for example, lead to missed opportunities or threats. The requirements of the balance are determined to a large extent by the situational setting of the firm. Large cash reserves for example would probably cause an emphasis on adaptive planning to find uses for the cash. Tight finances might cause an emphasis on belt-tightening integration until a healthier situation exists. Another important factor determining the balance required is the perception of senior management towards risk taking in general and the goals of the organization in particular.

The situational setting, goals, and risk taking profile thus determine the needs of the firm for the balance of adaptive and integrative planning. To judge the effectiveness of a planning system then, the degree of fit between these needs and the capabilities of the planning system to fulfil these needs is a necessary measurement.

Of importance to note is the fact that the situational setting changes with time. Further, the needs for adaptation and integration may vary within a corporation so that the needs of a mature division are, for example, quite different from those of a high technology new venture.

The overall study will attempt to measure the relevance of the above stated points. This paper examines the capabilities of the planning system of General Mills, Inc. (GMI) in light of the needs of GMI for adaptive and integrative planning. Four Strategic Business Units of GMI's 23 (in this case divisions) have been chosen to represent the firm as a whole and its variation in parts.

In order to do so, overviews of the firm and the planning system are presented. Next, a description of the situational setting and managerial perceptions is presented to determine needs. Further, the planning system is examined in detail to show its capabilities. Finally, an overall discussion of the relevance and effectiveness of the system is presented in an attempt to provide a subjective judgement of the degree of fit between needs and capabilities. The Appendix contains specific answers to the questionaire developed by Professor Lorange.

II. THE FIRM

General Mills, Inc. is a diversified manufacturer and distributor of consumer goods and services and specialty chemicals with headquarters in

Minneapolis, Minnesota. Incorporated in Delaware in 1928, the firm now employs over 50,000 people and has annual sales of nearly $3 billion.

Prior to the 1960's, GMI was primarily a manufacturer of consumer food products. During the 1960's the company began a major, continuing diversification into non-food areas. The company has sought a balanced diversification with emphasis on consumer products and services. At present, its businesses are in three major areas: foods, consumer non-foods, and specialty chemicals.

In 1976, foods continued to be the company's larges operation, contributing to nearly 69% of total sales and an approximately equal percentage of operating profits. The food lines are balanced among different "eating occasions" and include cereal and non-cereal breakfasts, potatoes, casseroles, main dishes, seafood products, frozen pizza, and desserts. The company is also very active in snack foods with salty, sweet, and meat snacks. Flour and baking mixes constitute an important part of the food operations, both for the food service trade and the home. Completing its food line, GMI participates in the market for meals away from home through its growing Red Lobster Inn operation which provides specialty seafood in a sit-down restaurant at reasonable prices.

Consumer non-food operations capitalize on growth in disposable income, more casual lifestyles and increases in leisure time. This area in 1976 contributed to approximately 28% of total sales and operating profits. The products are many and varied and include Kenner toys, Parker Brothers games, Monet jewelry, David Crystal, Izod, Kimberly knits and other fashion apparel, Lionel trains, Eddie Bauer outdoor recreational equipment, Foot-Joy golf shoes, specialty women's wear and fine furniture

lines such as Kittinger and Pennsylvania House.

Specialty chemicals have been manufactured by GMI for more than 25 years and now represent approximately 4% of sales and 3% of operating profits. In industrial markets this is the primary activity. Products include guar gum and derivatives used in the manufacture of paper, explosives, fire fighting, and foods; polymer resins used in high-performance adhesives; and Vitamin E. GMI has also recently become the leading supplier of chemicals used to recover metals by hydrometallurgy.

International operations continue to play an important role in the corporations and now account for approximately 16% of sales and 15% of earnings.

Growth through diversification by acquisition has been a major objective of the corporation in the recent past. During the period 1971-76 both sales and operating profits have more than doubled. During this period the company has invested approximately $100 million in Research and Development and acquisitions to sustain this growth with another $400 million being spent for fixed assets.

Earnings per share have grown at a compound annual rate of 15.6% during this period and risen from 99 cents per share to $2.04. Return on average shareholders' equity stands at 16.7% in fiscal 1976 with an average of 15.8% for the period 1971-76. Shareholders' equity has nearly doubled in the five year period.

The impressive growth in earnings has been reflected in the increase in dividends of 46.7% to an estimated 76 cents in fiscal 1977.

Table II-1 summarizes representative figures over the past ten years.

The company has been active in the citizenship role through the

General Mills Foundation. GMI transferred $4 million to the foundation in fiscal 1976 which resulted in benefits to a variety of educational, civic, cultural, health, and welfare programs. Concern for the problems of the inner cities led GMI to invest in housing to reverse the process of economic downturn and physical deterioration in downtown Minneapolis.

Energy conservation continued to be a major issue, both from the standpoints of good citizenship and good management. Programs implemented to date have resulted in savings of approximately 18% with adjustments for capacity and production changes.

The company has continued to be a leader in the nutrition field. Emphasis now being placed on nutrition and a balanced diet in the society, particularly the emphasis on fiber content, will doubtless benefit the company. In cooperation with the United States Department of Agriculture and through the distribution of nutrition literature in educational and health channels, GMI has continued to stress the message of good nutrition.

The 23 divisions of the company constitute the strategy centers and are called Strategic Business Groups (defined later). These 23 divisions consist of 111 separate "profit and loss entities". The organization is thus not only large but also quite complex.

Table II-1

PERFORMANCE INDICATORS
GENERAL MILLS, INC.

Fiscal year ending	1976	1974	1972	1970	1968
Sales ($ million)	2645.0	2000.1	1316.3	1021.7	668.9
Net Earnings ($ million)	100.5	75.1	45.4	27.1	31.3
Earnings per share ($)	2.04	1.59	1.02	0.63	0.83
Dividends per share ($)	0.66	0.53	0.48	0.44	0.39
Common shares outstanding*	49335	47130	40396	37904	32048
Total assets ($ million)	1328	1117	818	666	505

* Adjusted for two-for-one split in 1975, (thousands).

III. THE PLANNING SYSTEM - HISTORICAL PERSPECTIVE

Formal corporate planning had its beginnings at GMI in the mid-1950's under President Charles Bell who formed the Commercial Development Department. The first long range plan, a one-time look at GMI's future, was published in September 1956. It included historical financial data and financial forecasts through 1965. It orientation was primarily financial in nature.

The role of the Commercial Development Department changed in 1961 when General Edwin Rawlings succeeded Bell as President. GMI began a major diversification into non-food areas and divested itself of operations which did not fit overall corporate plans. The Commercial Development Department became the Corporate Development and Planning Department. Planning became more formal with a heavy operations research orientation. The seeds for the continuing emphasis on decentralized

planning and a "bottom up" approach were planted at this time. The Corporate Planning Manual defines "Bottom-up Planning" as the approach to planning where planning activity begins at the lower echelons of the organizational hierarchy, proceeding to the top through several echelons of management. This does not mean, however, that the actual chain of the planning process begins at the lower levels of the organization. Rather, based on broad corporate goals of, for example, growth, the economic and business trend analysis published at the corporate level, and the business charter, the Strategic Business Group determines specific objectives and strategies for that business which then proceed to the top through review of each level. This approach recognizes the lack of appropriateness of specific objectives and strategies imposed from above. It acknowledges the more detailed knowledge Strategic Business Group managers have of their business and gains their commitment to the specific objectives and strategies.

The Planning Department was charged not with planning, but with coordinating planning and consolidating plans. The Department also identified growth areas, developed economic forecasts and directed acquisition and venture activities. In recognition of the importance of non-economic environmental factors, the scope of planning was enlarged to include trends in this area.

In 1965, the planning and environmental analysis functions were split off and became the Corporate Planning Department. James P. McFarland succeeded Rawlings and completed the major stage of the diversification into non-food areas. Corporate planning played a large part in this effort, having been emphasized by each President as important to

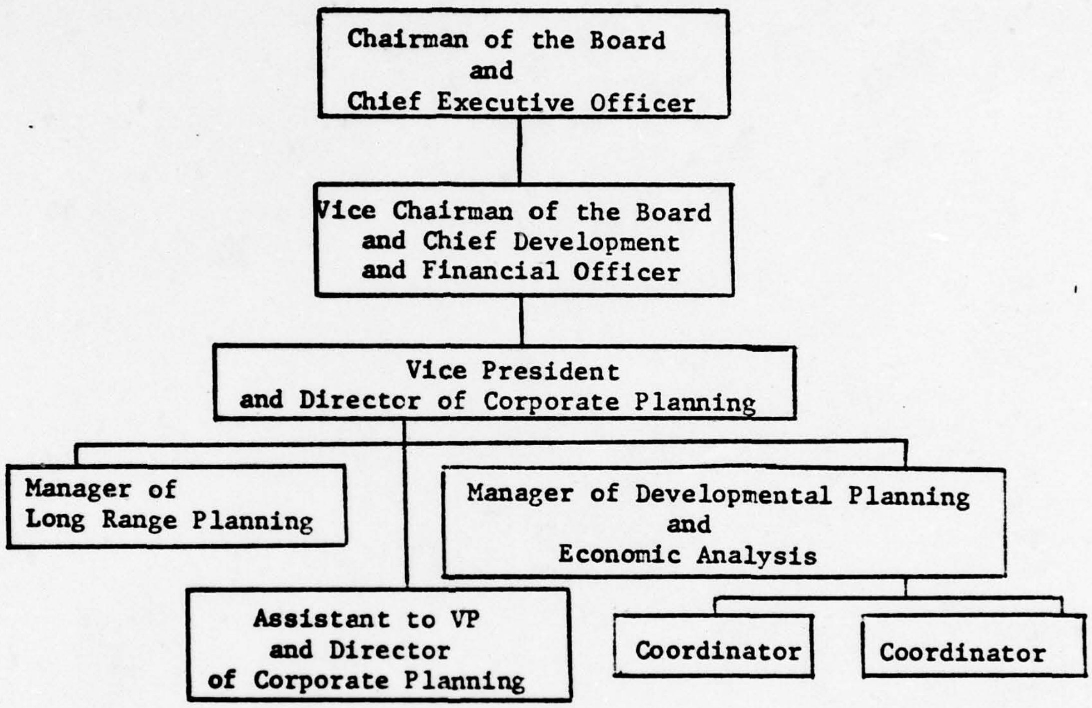
the accomplishment of the growth and diversification objectives.

Long range planning has become increasingly strategic in character and is separated from the budgeting process. The long range operations plans become the basis for the Spring Programs formulation. The planning activities are systematized but decentralized. A major facet of the system as it exists is the emphasis on line managers doing strategic planning. Thus, the Corporate Planning Department functions in a coordinating, catalytic, focusing, stimulative, and communicative role. It does not do planning for the corporation but functions as a facilitator of the process. The organization chart in Figure III-1 shows the importance of the department in that high level access is assured. Further worth noting is the fact that the department consists of only 5 personnel in keeping with its role of facilitator, not planner.

The planning system thus evolved with a planned intention rather than as a response to crises.

FIGURE III-1

ORGANIZATION AND REPORTING RELATIONSHIPS-
CORPORATE PLANNING DEPARTMENT



IV. THE NEEDS

A. Situational Setting:

The organization of GMI can be described[1] as a central, corporate office and groupings of 23 operating divisions, each having the responsibility and resources needed to engineer, produce, and market a product or set of products. The product divisions are clustered into groups and a third line of management, the group level, is placed between the division and corporate headquarters. Groups which have similar divisions have some functions consolidated at the group level. In the case of the Restaurants and Chemicals Group, the differences are such as to require significantly more independence between the divisions.

GMI treats each of the divisions (23 in all) as a Strategic Business Group, defined in the Corporate Planning Manual as the smallest organizational component lending itself to three factors: 1. the development of long-term strategies; 2. the assignment of responsibility for planning and implementation; and 3. communication of major strategies for future growth. The product division organization is an indication of diversity dictating a high need for adaptation. At the same time, from the corporate level, the coordination of the many diverse activities appears to require a high emphasis on integration to insure maximum efficiencies.

To assess the corporate (portfolio) strategy, use will be made of a classification scheme developed by Rumelt which classifies companies in terms of the way they have attempted to diversify their corporate portfolio. A combination of three measures are used to distinguish among nine corporate strategy arche-types; the degree of concentration on one

business; the degree of relationship between businesses; and the degree of vertical integration. The Specialization Ratio is the proportion of the firm's annual revenue attributable to the largest discrete Strategic Business Group (12.2% for GMI). The Related Ratio is the proportion of the firm's revenues derived from its largest single group of related businesses (55% for GMI). The Vertical Ratio measures the proportion of a firm's revenues derived from a vertically integrated sequence of operations (0 for GMI). Thus, Rumelt's scheme categorizes GMI as a unrelated business, that is, a firm which has diversified without regard to relationships between new businesses and current activities. If the meaning of "related" were stretched a bit, GMI would be categorized as a related business, that is, a business which has diversified by relating new businesses to some strength or skill already possessed, but not necessarily the same strength or skill. Thus, I would classify GMI as a related business heading in the direction of Rumelt's unrelated business. This classification based on the diversification and continuing growth in unrelated areas indicates a high need for adaptation to insure that opportunities are recognized and the company is forewarned of threats inasmuch as possible. This need is further indicated by the company's feeling of strength and skill in marketing to which it has attempted to relate new businesses. The need for efficiency of the related businesses dictates a high integrative need.

Inter-business unit sales (transfer sales) are not tracked at the Corporate Planning Department. Such sales are strictly on a one-to-one basis with the buying division free to seek the best market price and terms. Thus for the purposes of transfer sales, the corporation's

integrative needs are low since the corporate level chooses not to dictate policy and procedure in this area.

International operations are increasingly important. GMI has majority-owned production facilities in 18 different countries and minority-owned facilities in 4 countries. In order to account for cultural, ethnic, and business differences in these world-wide operations, the firm has a high need for adaptation. The local business manager is in the best position to recognize these adaptive needs and provide for their satisfaction. At the same time, in order to insure that corporate goals are attained and available resources are used to the best advantage, a high integrative need results from the scope of international operations.

Manufacturing operations are diverse and include batch, assembly line, and continuous process production. Service operations are many and varied and include vending machines and sit-down restaurant operations. This diversity and complexity dictate a high need for adaptation on the part of the corporation. The variety of operations simply make the firm subject to impact from many more factors than would be the case in a firm with one type of operation. The integrative need is also quite high, for this variety and complexity could cause squandering of much needed resources.

Of the 23 Strategic Business Groups, 13 are categorized in the mature stage, 9 in the growth stage, 1 in the start-up stage, and one in decline. The initial inclination would be to emphasize integration over adaptation because of the dominance of mature divisions. However, consideration must be given to the significant number of Strategic Business

Groups in the growth stage, which, on further reflection, would dictate a high need for adaptation. A high integrative need follows from the dominance of the mature Strategic Business Groups with desired growth requiring capital adding to this need. All four divisions studied are growing somewhat (Table IV-1) indicating some adaptive need.

Table IV-1

RATE OF GROWTH (%)

Year	Division A	Division B	Division C	Division D
1972	0.3	7.4	195*	17
1974	53**	7.6	42	16
1976	2.8	3.9	59	15.6

* Large growth due primarily to addition of new retail units.

** Due primarily to significant changes in grain markets.

Because of the variety of products, it is difficult to state with any degree of certainty how many of the Strategic Business Groups rely on the same customers. Seasonality patterns vary considerably with no large effect on the corporation as a whole. Fashions, crafts, toys, and recreational equipment do exhibit seasonal patterns. The same raw materials are relied upon for flour, cereals, some snacks, and "Betty Crocker" products. The seasonality patterns would require a high adaptive need to insure that peaks and valleys are anticipated as much as possible. Further, a high integrative need follows to insure that inventories are correct so that products are available when they can be sold and that excessive storage, for example, is not required.

Four Strategic Business Groups were examined in detail. They are

referred to hereafter as Divisions A, B, C, and D.

Division A is a manufacturer and distributor of flour. This product is marketed nationally and regionally under regional names. This division is classified as mature in life cycle. Of interest is the fact that during periods of recession, sales have actually increased. Apparently many homemakers go to "scratch baking" during such times. The manufacturing process requires a high integrative effort to keep costs as low as possible. The product is susceptible to fluctuations in price because of the grain market and is apparently priced at cost plus. The product is relatively standard and difficult to distinguish from those of competitors. Thus, the adaptive need would be relatively low although growth of the market (albeit modest) in recent years requires some awareness to insure that, at a minimum, market share is not lost. This is further illustrated by the slip in Relative Market Share illustrated in Table IV-2 and the increase of market share of the nearest competitor illustrated in Table IV-3. A higher adaptive need would exist if, for example, the firm decided to attempt significant increases in its market share.

Table IV-2

RELATIVE MARKET SHARE*

Year	Division A	Division D
1972	1.74	not available
1974	1.73	not available
1976	1.69	0.44

* computed as the ratio of the division's dollar sales to the dollar sales of the largest competitor.

Table IV-3

MARKET SHARE OF NEAREST COMPETITOR (%)

Year	Division A	Division D
1972	16.6	not available
1974	16.5	not available
1976	17.6	43.8

Division B is a manufacturer of bar and vending snacks and provides vending services primarily in the southeastern United States. The market and the competition are impossible to define. The business itself is growing due to aggressive marketing and "full service" vending. Cost is a factor in pricing as is the coin equipment on vending machines. Substitution by other snacks would be possible. New product and service innovations, coupled with aggressive marketing, appear to be the keys to success. I would rate the adaptive and integrative needs as medium. The service offered is relatively simple. Customer contacts, installed vending machines, and the existing reputation in the area in which it operates would lessen the adaptive need relative to that of other divisions. Were the firm to expand operations geographically, for example, this need would become much higher. The nature of coin equipment on the machines would appear to call for a medium integrative effort to keep costs as low as possible until the cost of changing this equipment in five cent increments is justified.

Division C is a family seafood restaurant operation. Full meals for a couple can be had in the $10-12 range. Prices do fluctuate based on seafood prices. Competition is difficult to define as is the market.

Fast food chains (Burger King, MacDonald's, etc.) are clearly in a different class. The best example of any competition in this field might be the "mom and pop" local restaurant. The firm operates 174 restaurants in 26 states. The impreciseness of the market and the competition and the varied state and local laws under which a restaurant operates indicate a high adaptive need. Fluctuating food prices would appear to dictate a high integrative need to insure the goals of modest pricing which should not fluctuate wildly. The integrative need is further amplified by the need for an adequate return on the high investment in land and buildings required for each restaurant.

Division D is the cereal business. Competition is said to be keen, requiring the introduction of 3 or 4 new cereals each year. Pricing is most probably cost plus with the owned manufacturing facilities offering an advantage over smaller competition or new entry. The nature of the competition with General Mills and three other firms dominating the market, the recent modest loss in market share (see Table IV-5), and the nearest competitor's market share of 43.8% (see Table IV-3) all dictate a high adaptive need. The pricing policy apparently followed (cost plus) would lessen the need for integration.

Table IV-4

SALES ($ million)*

	Division			
Year	A	B	C	D
1972	50.3	44.1	21.1	101.9
1974	80.1**	50.9	48.5	139.1**
1976	85.7	60.9	112.4	200.4

* Figures have been disguised but proportions have been maintained.

** Large increases due primarily to significant changes in grain markets.

Table IV-5

MARKET SHARE (%)

Year	Division A	Division D
1972	28.9	19.9
1974	28.6	18.4
1976	29.9	19.2

For the corporation as a whole, the debt-equity ratio is a constraint imposed to insure an adequate bond rating. To increase the debt-equity ratio is an option viewed by senior management with great reluctance. Stabilization of the ratio is a policy high on the corporation's list of priorities. This constraint imposes a high need for integration to insure that the constraint is met, yet capital required for growth is available.

Table IV-6 illustrates the sources and uses of funds for the corporation. In particular, the funds spent for acquisitions indicate the reliance on acquisitions for growth and diversification and thus dictate a high need for adaptation. The growth in sales of the four divisions studied indicate some adaptive need and awareness. The financial data offered in Table II-1 illustrates the growth in dividends and earnings per share further indicating a high adaptive need for the corporation.

Table IV-6

SOURCES AND USES OF FUNDS
($ thousands)

	1976	1974	1972
WORKING CAPITAL PROVIDED BY:			
Operations	153,200	116,176	89,484
Proceeds from long-term debt	834	102,999	2,824
Common stock issued	7,500	1,473	5,275
Exercise of stock options	3,788	4,300	3,933
Other	4,577	8,226	4,042
TOTAL PROVIDED:	169,899	233,174	105,538
WORKING CAPITAL USED FOR:			
Net additions to plant and equipment	81,805	83,837	42,648
Net purchase price of acquisitions	8,106	15,503	14,308
Dividends	32,391	24,399	21,385
Long-term debt paid	25,376	18,875	26,115
Investments	-----	-----	1,177
Other	3,946	2,424	1,492
TOTAL USED:	151,624	145,038	107,125
NET INCREASE (DECREASE)	18,275	88,136	(1,567)

As mentioned, the product life cycle of Division A would be best described as mature, that is, the products are familiar to the vast majority of users and the technology and competitive structure are reasonably stable, indicating a higher integrative than adaptive need. The growth stage best describes Divisions B, C, and D; that is, demand is growing and the competitive structure is still changing or not precisely defined putting emphasis on the adaptive needs.

Divisions A and D normally account for a large positive cash flow while that of Division B is more modest. Thus, the emphasis would be on integrative needs in divisions A and D to provide needed capital for other activities while in division B the need would be more modest. Division C has been requiring large investment outlays for construction of new units indicating a high adaptive need to insure the right decisions with respect to investments are made and some integrative effort to insure cash outflow are the minimum necessary and that investments provide the desired return.

In particular in Divisions A and D, product pricing is closely related to the prices of raw materials, indicating a lower integrative effort than other pricing policies might allow. Prices are tied to grain markets which have experienced extremely high inflation rates in the past several years. This of course affects the competition also.

The pressure for new products and product innovations is especially great in Division D. Several new cereals are introduced each year. Further, some are taken off the market. Quality is a factor as well as something of a "gimmick" particularly in the case of children's cereals. These factors indicate a high adaptive need to insure that the right

"gimmicks" are perceived and capitalized on.

For the four divisions, approximately 1% of sales is spent on product research which would appear to indicate low adaptive needs, which, however correct, might well in the overall analysis be offset by other factors. Test marketing in a particular geographic area is used particularly by Division D, indicating a medium to high adaptive need.

In both Division A and D, the firm enjoys 3-6 months of market protection in new products. This same protection is enjoyed by competitors in reverse situations. The situation would appear then to dictate a need for high adaptation since protection is minimal.

Figure IV-1 illustrates some differences in strategies of the four divisions.

FIGURE IV-1

PRODUCT STRATEGY POSITIONING

The appropriateness of each possible strategy is rated as follows: highly representative (H), somewhat representative (S), unrepresentative (U).

STRATEGY	DIVISION A	B	C	D
1. Reduce prices to discourage new competitive capacity	U	S	U	U
2. Utilize own capacity fully	H	H	H	H
3. Invest to increase market share	U	H	-	S
4. Concentrate on a segment which can be dominated	H	H	H	H
5. Hold market share by improving quality, increasing sales effort, advertising	H	H	H	H
6. Withdraw gradually from market, or hold market share by keeping prices and costs below market leaders	U	U	U	U
7. Maximize cash flows by reducing investment and advertising, development, etc., expenses	U	U	U	U
8. Withdraw from the market	U	U	U	U
9. Maximize trade/consumer promotion	H	H	H	H

In the case of division B, the strategy of reducing prices to discourage new competitive capacity translates to one of holding prices at a minimum and indicates a medium adaptive and integrative requirement.

For each division, the strategy of utilizing capacity fully imposes a need for high integration to insure this full utilization and a high adaptive need to insure that markets for these products exist.

Division B has done some investment to increase its imprecisely defined market share. In reality this has been done to grow with consideration now being given to expanding geographically. This imposes a high adaptive need to insure the best investments are sought and chosen and a high integrative need to insure an adequate return on investment.

All four divisions studies attempt to concentrate on a segment of the market which can be dominated, hold market share by improving quality, sales effort, and/or advertising, and maximize trade/consumer promotion. These strategies place a high adaptive need on the firm to determine these markets and to use advertising profitably. Further, a high integrative need stems from the requirement to be as efficient as possible with the highest possible quality to provide funds for advertising and promotion.

In summary then, for the corporation as a whole, the needs appear to be high for both adaptive and integrative planning. This estimation is based primarily on the diversity of the corporation, its complex structure, and its primary objectives of growth and diversification. Other factors as noted tend to reinforce the demands of these factors, but these appear to be overriding.

Division A, on the other hand, would appear to have a low adaptive

need owing primarily to the relative stability of the business and markets and the maturity of the division. The integrative needs would be quite high to keep costs as low as possible enabling the division to hold market share and act as a cash cow for the corporation.

Divisions B, C, and D have a high adaptive need due primarily to the growth experienced and desired. The impreciseness of the markets and competition of Divisions B and C reinforce this point. In division D, the business requirement of producing new cereals (several per year) put a premium on anticipating product acceptability and on flexibility to respond to competitive threats. The integrative need would also be high in each division studied. In division C this need is prominent because of the requirement to provide a suitable return on the relatively large investment required for each unit. The competitive environment in which division D operates appears to demand a high integrative effort to keep costs in line with those of other producers and in fact be able to survive in that business.

B. Managerial Style and Risk:

Role descriptions are difficult subjective judgements. Nonetheless, the role description of the managers of Divisions A, B, and D seems to fit that of a sophisticated market manager; that is, aptitude towards aggressive marketing such as sales campaigns and innovative moves relative to competitors. The manager of Division C would be better described as somewhat of an entrepreneur; that is, deeply involved in exploiting a new business idea by fitting a new service to a new and imprecisely defined market. In each case the style and role dictate a high adaptive need. In keeping with GMI's policy, the present managers

were placed in their positions because they fit the perception of needs for that position. That is, the manager is chosen to fit the business he must operate.

In both Divisions A and B, the management style has been described as somewhat formal and less flexible than in Division C; in all three cases the present managers exert a strong role as leaders. Division C has the least formal and most flexible procedures and style owing to the nature of the business and dictating a high adaptive need. Division A has the most formal and controlled procedures again owing to the nature of the business. This imposes a relatively low adaptive need.

Overall, the corporation stresses decentralization. Few procedures and/or policies are thus fixed in concrete. Rather, the management style must fit the business with relatively wide latitude within broad guidelines to meet the demands of that business. In divisions B and D which have some fixed policies and procedures, I would describe the adaptive need as medium based on this factor, that is, between that of divisions A and C.

Balanced proportions of executive compensation depend on fixed and variable factors. The variable segment depends on both individual and organizational performance. The corporation was reluctant to discuss details, but pointed out that it was possible, and had happened, for a manager to receive no bonus because of performance. Subjective judgements about adherance to long term planning goals are applied for the subjective portion of the bonus. This factor imposes a high adaptive need in order that performance and thus compensation are maximized.

The Chief Executive Officer of the organization recently retired. He

had been in that position for approximately 8 years. Major strategic decisions are taken by senior management as a team. 7 members of the Executive Committee apparently reach consensus on major strategy decisions. Committee sessions are not attended by staff members outside the circle of the seven principals, Group Managers, and Division Managers. Detailed information about the decision-making process is therefore an unknown.

The last two Chief Executive Officers have been promoted to their position from within the organization.

Senior management is described as willing to take some calculated risky decisions with potentially high payoff, but is nevertheless generally rather conservative. A few strategic decisions over the past few years can be said to have been somewhat risky in that they could have had a substantial negative effect on the company.

This attitude towards risk has been relatively stable since GMI began its diversification and growth. This discussion would appear to indicate a low adaptive need, but, in my opinion, while the top management has been relatively conservative, the objectives of growth and diversification have imposed an overriding adaptive need. The risks taken have been calculated ones, but risks nonetheless. It is noteworthy that a relatively conservative top management has been able to continually keep a sharp adaptive focus.

The company is of course under pressure to continue its fine performance of the past ten years in that expectations of investors/ creditors are surely a factor. The adaptive and integrative needs are thus quite high to insure this continued exemplary performance.

Figure IV-2 lists environmental factors which can have an effect on

the funds flow pattern of a Strategic Business Group. The degree of predictability of the factor is indicated for those which could have a high impact on the funds flow. Further, the degree of flexibility to take countermeasures in response to this potentially high impact factor is indicated to give some measure of the risks involved.

FIGURE IV-2

PERCEIVED CURRENT VULNERABILITY OF STRATEGIC BUSINESS GROUP

(letter in box indicates Division (A, B, C, or D) for which this factor may have a high impact on the planned funds flow pattern)

ENVIRONMENTAL FACTOR	DEGREE OF PREDICTABILITY (uncertainty)			ABILITY TO TAKE COUNTERMEASURES (respond)		
	high	some	little	easily	moderate	difficult
1. General level of economy	BCD			CD		B
2. Rate of technology change	D	BC		B	CD	
3. Changing customer requirements	BCD			BCD		
4. Changing demand patterns	BCD			BD	C	
5. Changing competitor strategy	AB		CD	ABD	C	
6. Entry of new competitors	B		CD	B	CD	
7. Material or supply shortage	BCD	A			C	ABD
8. Changing material or labor cost	BCD	A			B	ACD
9. Availability of substitute products	CD	B		BC	D	
10. Changing government or tax policies	BCD		A		C	ABD
11. Political acts (e.g. expropriation)	SHOULD NOT HAVE A HIGH IMPACT					
12. Foreign currency changes	SHOULD NOT HAVE A HIGH IMPACT					

The Appendix contains a detailed assessment of the adaptive and integrative needs of each factor and each division. For the purpose of this discussion, several of the factors appear to be dominant. In the case of division A, few of the factors are perceived to have potential for high impact indicating a low adaptive need. For divisions B, C, and D, changing customer requirements, changing demand patterns, changing competitor strategy, and the availability of substitute products all can have a high impact on the projected funds flow indicating a relatively high adaptive need to anticipate the threats and opportunities presented by changes in these factors, with a lower integrative need since the ability to take countermeasures is easy to moderate.

Thus, in summary, considerations of management style and risk reinforce the assessment of needs based on the situational setting and are presented below:

Organizational Unit	Adaptation	Integration
Corporation	High	High
Division A	Low	High
Division B	High	High
Division C	High	High
Division D	High	High

V. PLANNING SYSTEM CAPABILITIES

The output of the planning system consists of a concise notebook containing specific plans for each of the 23 Strategic Business Groups and their 111 specific "profit and loss entities" for a five year time horizon. It contains, for example, for the corporation as a whole the following objectives:

a. Maintain a return on stockholders' equity of at least ____ %.

b. Maintain a debt-equity ratio of not more than ____ with a fixed cost coverage ratio of at least ____.

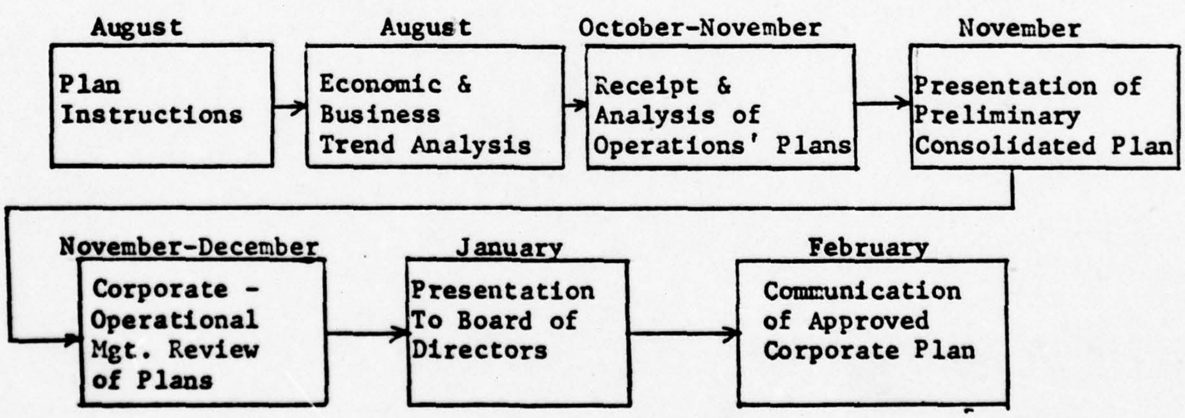
Illustrative of a strategic program for the corporation as a whole is: Seek opportunities to divest operations which have limited long term growth and Return on Investment potential.

Operating budgets are of course considerably more specific financially and consist of operating targets in each profit and loss sub-category.

Figure V-1 below depicts the timing of the annual sequence of major elements of the long range cycle of the planning system.

FIGURE V-1

ANNUAL SEQUENCE OF LONG RANGE PLANNING CYCLE



The diagram makes several points. First of all, the planning for long term strategies is a major undertaking with its formal processes of preparation, analysis, review, evaluation, and communication spread out over six months. Not shown is the process of informal exchange between

levels which takes place throughout the year, forms the basis for the formal process, and provides more iterations of exchange between levels. The system would appear to have a high adaptive capability in that the primary purpose of this cycle is long-range strategic thought, that is, adaptation to the environment. Another point is that the process is systematic. The plan instructions establish the framework from the corporate level with regard to organization, content, and assumptions of the operations plans. The annual timetable is also specified. To assist in the preparation of the plans, the Corporate Planning Department prepares and distributes an economic and business trend analysis which summarizes expectations in demographic patterns, lifestyles, consumer attitudes, price levels, spending trends, government policy, and industrial competition.

Another point illustrated is the "botton up" approach to planning. That is, specific objectives, strategies, and policies are formulated at the lowest practicable level and proceed up through management levels and is based on the general guidance promulgated at the corporate level. The adaptive capability is quite high as illustrated here. The business managers are closest to the diverse activities and in the best position to be specific with respect to realistic, attainable objectives and strategies. As pointed out by Lorange and Vancil[(2)], "In a large company with a relatively diversified group of businesses, 'capacity limitations' at the corporate level dictate a more or less bottom-up approach." Further, Vancil states[(3)] that an effective strategy is one "drafted by the manager who must carry it out." The Corporate Planning Department analyzes plans for conformance with corporate objectives and strategies

for the Corporate Review Group (consists of seven top officers of the corporation).

The Corporate-Operational Management Review of Plans consists of meetings with the Corporate Review Group, Group Manager, and Division Manager present. No other staff personnel are present. Further, Division Managers make no formal presentation. Rather, members of the Corporate Review Group are expected to familarize themselves with the plans as proposed and participate in an exchange with the Division and Group Managers on adaptation issues with integrative issues assuming a lesser visibility. This assures the commitment of the division managers to their strategies. As pointed out by much of the writing in this field, managers must feel that they own the system and its output or they will not use them.

Spring Programming is the term applied to GMI's budgeting process. During the process, detailed financial projections are made and agreed upon by Corporate and Operational management. Precise financial data including all planned expenditures are included. Short-term objectives and action plans are included within the framework of the previously determined strategies. Thus the strategy is "the conceptual glue which binds the diverse activities of a complex organization together."(4) The process is coordinated by the Corporate Analysis Department. It analyzes and consolidates this effort to determine the next year's operating budget for the corporation.

Compensation is tied formally to achievement of Spring Program targets for the first of the two year time horizon. Financial performance is tracked, analyzed, and reported. The thrust here is integrative with

a high emphasis on meeting financial targets.

This contrasts with the long range strategic plans whose thrust is nearly entirely strategic; that is, stating the mission, current competitive position, long term environmental trends and their potential impact, objectives, and strategies to reach expectations. Further, long range strategic plans are not commitments to performance, per se.

Figure V-2 depicts the flow of the planning process at GMI. It is a structured process of narrowing down alternatives and producing operating target budgets. As Lorange and Vancil put it,[5] "A strategic planning system is nothing more than a structured (that is, designed) process that organizes and coordinates the activities of the managers who do the planning."

The chart differs from the hypothetical "3 x 3" chart of Lorange and Vancil in several ways. Basically there are two cycles rather than three. The Spring Programming as described earlier incorporates both the Multiyear Programming and Budgeting Cycles of the "3 x 3" chart. The Group level plays a varying role in the system. With similar divisions its role is more active while groups with differing divisions allow the divisions a great deal more independence. An important element of the Lorange and Vancil scheme is the narrowing down of alternatives and resource allocation. Narrowing down occurs as its properly should at both cycles but has not been a real issue because of past balances between needs and available resources. The primary implication of the two cycles as they exist at GMI stems from the Spring Programming cycle. Here the process chooses action programs and produces operating budgets for these programs within the framework of the previously defined strategies and

FIGURE V-2

PLANNING SYSTEM STRUCTURE

GENERAL MILLS, INC.

LEVEL \ STAGE/CYCLE	LONG-RANGE PLANNING (objectives & strategies)				SPRING PROGRAMMING (programs and budgets)	
CORPORATE	Broad direction-business charters	call for plans	approve division objectives, strategies	state corporate strategy	call for programs	approve programs & budgets
GROUP		(propose)	(approve)		(propose)	(approve)
DIVISION (STRATEGIC BUSINESS GROUP)		propose division objectives, strategies, and requirements			specify goals-propose	select best mix, coordinate, approve
FUNCTIONAL					identify, analyze & recommend alternatives, make budgets	

objectives. Since the output is a budget, the selection of a program may be less than optimum. The capability of the system here is integrative to a moderate extent therefore.

Moderate linkage exists between the output of the objectives setting cycle and the input to the budgeting cycle. That is, the action programs and budgets are developed in the context of the previously developed objectives and strategies. As they are refined however, they may change. Some changes are accomplished informally, that is, verbally between levels. To this extent, the linkage is moderate.

The Corporate Planning Department, during the objectives setting cycle, functions as a facilitator concerned with procedural matters and analyzes, comments on, and evaluates lower level inputs. The department plays virtually no role in the Spring Programming cycle further emphasizing the adaptive capability of the system illustrated by the separation of roles.

The Controller is involved in the objectives setting cycle as a member of the Review Group. The extent to which he participates as a strategist would be situational specific and would probably vary considerably, although, in my opinion, it would not affect the highly adaptive capability of the system during this cycle. His staff, of course, plays a major role in the Spring Programming cycle where the thrust is integrative as it should be.

The time spent by major actors in the process varies considerably and would be extremely difficult to specify. Variation is due to perceived needs, accomplishments during the informal process, the question of change, the position and style of the actor. In the so-called Focus

Presentation, that is, the presentation of preliminary plans, the Review Group has spent as much as a total of 15 working days with Group and Division Managers. This is in large part due to the importance attributed to the long-range planning process by past and present persons occupying the position of President and Chief Executive Officer. The Spring Programming does not receive such a thorough analysis by the Review Group but is, rather, a staff and lower level line matter which is primarily financial and thus, integrative, in nature.

The reviews during the Focus Presentation are considered rather penetrating although all persons interviewed were firm in insisting that the informal process insures that no surprises come up. At lower levels, the quality and in fact usefulness of the reviews would be a function of many factors including in part the management style of the manager involved. The focus during the reviews is as indicated above highly adaptive.

The guidelines promulgated by the corporation are general in nature stressing the desire for decentralization. This desire in fact becomes a need when one considers the many varied businesses the corporation is in. Thus there is much leeway for the Strategic Business Groups indicating a high adaptive capability. The corporate objectives and the formal review process do force a need to review the relevance of each business. The Focus Presentation reviews all strategies and objectives including those of present and new (both internal and external) products and businesses. The review of relevance stresses high adaptation and also high integration in that less efficient operations are considered for specific improvement action or divestiture.

Environmental scanning is a continuing process. As mentioned earlier, the Corporate Planning Department publishes environmental data and trends. It does so as a matter of routine in the planning process and in response to requests from corporate executives or from groups/ divisions. These lower levels do their own scanning and in fact are free to deviate from published corporate assumptions about the environment if justified. Diversification and/or investment opportunities come from all levels of the organization as a result of their scanning. The emphasis on performance with respect to growth and diversification illustrate the high adaptive capability of the system which requires thorough environmental scanning to be effective.

The firm has made significant changes in the diversity of its portfolio since the mid-1960's. The Planning System has played an important role by allowing high adaptation as illustrated by the continuing diversification and concurrent superior performance of the firm. The task of portfolio planning, that is, deciding on the mix of businesses in which the corporation should operate, is accomplished by the Review Group annually. Their decisions based on where the corporation is now and where they would like it to be or in which directions it should be moving are disseminated to the operating Executive Vice Presidents who are then free and challenged to achieve this mix by whatever strategies and programs they may devise. Thus the output of the Review Group becomes an input for lower levels which is used as they begin their next long range planning cycle.

Resources are made available for strategic planning because of the emphasis on it by top management and their commitment to it. The

commitment of lower levels is assured by the "bottom up" emphasis, that is, a manager feels responsible for delivering a plan which he has personalized.

Models are not used by the Corporate Planning Department. The Controller uses some computer based models for financial data but primarily for speed. In addition, various divisions and groups make varying use of their own models. The Planning Department subscribes to the major economic forecasters for economic data and trends so available. At the corporate level, the utility of a "corporate model" is thought to be low. In sum, the use of models is primarily an integrative function where they are used at all.

The Corporate Planning Department was familiar with the approaches developed for analyzing a Strategic Business Group by several nationally prominent consulting firms. The corporation chooses to use and successively refine its system. This refining has been done internally based on knowledge of these approaches, outside evaluations such as this one, and through an annual review of the system. This annual review is consucted personally by the Vice President and Director of Corporate Development with approximately one hour spent with each of 23 top executives. The Manager, Long Range Planning, conducts a similar review with division managers. The purpose of this review is the refinement and modification of the system itself to insure the system meets the needs perceived by top management. The system is thus continually evolving and being adjusted to the situational setting and needs of the firm as perceived by top management, further indicating a high adaptive capability.

Major capital appropriations requests do contain a calculation of the return on invested capital in terms of return on investment (ROI). Further, a discussion of market and competitive actions and reactions as appropriate are included. Detailed sales and cost data are projected. The major criteria for approval are fit to an approved strategy and ROI.

Board approval is required for appropriations in excess of $500,000. Approval for projects between $200,000 and $500,000 is held at the Chief Executive/Chief Operating Officer level.

Uncertainty is reflected in financial projections through the application of discount factors in volume projections. Occasionally, investments not covered in the previous plan are approved once justification is supplied. The system is thus quite flexible and adaptive.

Commitments to launch a strategic project are based on an analysis of strategic considerations and are thus adaptive in nature. Investment expenditure commitments on the other hand are based on fit to a previously determined strategy and Return on Investment, thereby being more integrative.

In summary then, both the adaptive and integrative capabilities of the planning system appear to be quite high. The separation of the two cycles in the system insures the proper focus during both. The involvement of top management during the objectives setting cycle insures a proper focus on strategic, adaptive issues, free of detailed budget-type information. The Spring Programming cycle provides for the integrative capability required to insure a proper, efficient mesh of the diverse activities of the firm.

The process is also systematic requiring an annual review of adaptive issues, forcing managers to consider changes in the business environment and thereby be adaptive. The "bottom-up" approach as defined by GMI requires adaptation at a level able to understand and comprehend issues which may affect the business environment.

Compensation is based on a subjective judgement of long-range performance thus causing an adaptive focus and is also based on objective, specific financial targets, thus causing an integrative focus.

All in all, the adaptive and integrative capabilities must be rated as quite high due primarily to control of the planning focus, system flexibility, and the deep commitment of managers to its usefulness.

VI. CONCLUSIONS AND RECOMMENDATIONS

The effectiveness of a planning system depends in large part on the degree of fit or match between the capabilities of the system and the needs of the firm. Further, the system must be perceived to be effective and useful by those managers who must use it.

The needs of the firm as discussed in detail in Chapter IV are for high adaptation and high integration. The discussion of needs indicated that the valuation of some factors would indicate, for example, low adaptive need. The decision as to overall needs, however, must be based on a consideration of all factors with judgement applied to determine the relative importance of various factors. With this in mind, the diversity of the firm, the complex organization including many products, product classes, and international operations, and the strategy of the firm of continuing growth and diversification are, in my opinion, factors of overriding importance which cause needs for high adaptation and high

integration. Many other factors give rise to exactly the same needs. Some few do not, but are, in my opinion, less important to the general well-being of the firm.

The various divisions (Strategic Business Groups) have differing needs. Divisions B, C, and D have needs in line with those of the corporation as a whole primarily due to growth and the nature of those businesses. Division A, on the other hand, has a relatively low adaptive need relative to the other divisions and the corporation as a whole again primarily as a function of the nature of the business and the markets in which it operates.

The planning system appears to provide a capability for high adaptation and high integration. The five year focus of the planning system provides for thought outside the normal day-to-day operations. The focus is thus highly adaptive. The system provides the formal process to insure the required long term focus occurs. It is in tune with GMI and its corporate personality and has come into its present state through an evolutionary process still under way. It is thus continually being adapted to the environment in order to continue being an effective tool for adaptation. The planning system is dynamic. Annual reviews give top management an opportunity to critique and cause correction of the process thus deepening their commitment to the process. The system is in step with the managers of GMI. It has the backing, commitment and deep involvement of the Chief Executive Officer. Its process of "bottom-up" insures the commitment of lower level managers who have personalized the plan and provided the level of adaptation needed for their business. They are most close to the needs of a particular business and thus in the

best position to specify business strategies. The review of plans with top management insures their involvement and support. The system is flexible to allow for differences between the needs of various businesses. A division manager then has the opportunity (indeed, the challenge) to influence the action based on his knowledge of the needs of the business. Managers accept and use the system. In short, it is a living part of GMI, made so for the most part by the emphasis and deep commitment of the Chief Executive Officer. The atmosphere in the firm is therefore congenial to planning.

Environmental scanning is an important part of the system and provides for assessment of the threats and opportunities. New ideas are generated. The system provides plans and decisions not merely impressive, thick documents. Line management is involved in the process and spends sufficient time to insure it is done correctly. Planning is considered an essential part of management.

The formality of the system is minimal while the deep commitment of top management to the process of long range strategic thinking insures that informal channels are open and that managers are aware of the need for adaptation.

The Spring Programming cycle changes the focus from primarily adaptive to primarily integrative. To provide the best possible efficiencies, integrative control is exercised at every level, although the system appears to be sufficiently flexible to allow for required changes and redirection. The formality which exists is sufficient to insure focus and provide a common basis and language for discussion.

The Corporate Planning Department has not built an empire of

planners. Rather, as it should be, line management constitutes the planners of the organization. The Planning Department functions as a facilitator concerned with system maintenance.

The system is sufficiently flexible to allow for the needs of the corporation and to fulfil those of the individual Strategic Business Groups.

It appears that GMI has done a remarkably good job of fitting the needs of GMI with a system capability matched to those needs. Most of all, management is apparently quite comfortable with and confident in the system. Thus, management perceives the system to be effective and useful.

The foremost conclusion based on the high degree of match between needs and capabilities must be that the system and its developers deserve high marks. GMI's overall objectives during the past ten years have been growth and diversification. The growth has been illustrated by previously given figures and the diversification is illustrated by the change from nearly 100% of revenues from food products to the present approximately 30% from non-food items. The planning system has been used and has doubtless assisted in this success story.

The principal recommendation thus follows: GMI should continue with its exemplary planning system and continue its evolution. Most important to this continuation is the deep commitment of the Chief Executive Officer to the necessity for long term strategic thinking. While this commitment is on the one hand a great strength of the system, it can also be a weakness. Care must be taken to insure that lower level managers are not merely planning because "that's what the boss wants." The system will continue to serve GMI well only so long as the lower level managers

believe in it and are free to critique the system and thus aid in its evolution and further development.

A second recommendation concerns the Spring Programming cycle. As mentioned earlier, it constitutes the budgetary phase at GMI. In addition to producing a budget, action programs are decided upon during this cycle. Top management plays little role since strategies have already been decided. The focus is of course primarily financial and quantitative. However, alternative programs leading to fulfilment of a strategy must be considered. The immediate goals of producing a budget may well lead to satisficting on program selection. Were program selection and budgeting separated, it might lead to the selection of an optimum program unencumbered by the immediate need to produce a budget.

Consideration should be given to this separation. This need not prove more time consuming. Rather it would insure that the focus of a manager's thinking was on selection of programs, albeit with some financial detail, but not with the morass of financial data involved in actual budgeting which could then be done for only one year.

Lastly, care should be taken in the further evolution of the system. GMI in recent years has acquired businesses quite unrelated to its proven expertise in the food area. The tendency has been to impose the mold of the planning system on the new businesses. This tendency is understandable in light of the tremendous pride in the system and the accomplishments of the organization to which the planning system has doubtless contributed. A caution, however, is in order. While a new business may be small and insignificant to the corporation as a whole, it is nonetheless important to overall objectives. A new business may be so different as to

require some modification in the planning system as applied to it. For example, long term in some businesses may mean six months.

It is not known if this is a problem now. It is suggested, however, that new businesses be given every consideration and be examined in detail to determine the needs of that business. Only if the planning system fits these needs will the system be helpful as intended. Otherwise it may in fact choke rather than feed.

In summary, the planning system is such that GMI can be justifiably proud. It is a dynamic, living part of GMI as it should remain.

Footnotes

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APPENDIX

This appendix contains specific answers to the questionaire developed by Professor Peter Lorange contained in the Sloan School of Management Working Paper Number 911-77 dated March 1977 and entitled "An Analytical Scheme for Assessment of a Company's Planning Needs, Planning Capabilities and Planning Effectiveness".

The following section is entitled "Part One. Needs for Adaptation and Integration: Interpretation 1, 2" and begins on page 33 of the referenced Working Paper.

I. Measurement of Corporate Diversity, Strategy, and Structure

1. Type of organizational structure

Product Division (H-A; H-I)

2. Strategic Business Units

There are 23 Strategic Business Units in the corporation equated by the corporation to a division. The Corporate Planning Manual defines a Strategic Business Unit, called a Strategic Business Group by the firm, as follows: A Strategic Business Group is the smallest organizational component that lends itself to three factors: 1. the development of long-term strategies; 2. the assignment of responsibility for planning and implementation, and; 3. communication of major strategies for generating future growth. (H-A; H-I)

3. Corporate Portfolio Strategy

Using Rumelt's formula, the firm would be classified as an unrelated business. However, the ratios are very close and in my judgement, because of the nearly 70% of sales from the general food area, the corporation is better classed as a related linked business well on

on the road to becoming unrelated. (M-A; M-I)

4-6. SBU data

There are 23 SBU's. Sales and Profit data from each SBU are not available. Approximately 12% of sales and profits come from the largest SBU. (M-A; M-I)

7. Inter-SBU Transfer

Transfers are strictly on a one-to-one basis and are not tracked by the Corporate Planning Department. (L-I)

8. World-wide diversity

The firm has its own production facilities in 18 countries with a minority share of production facilities in 4 countries. The firm uses its own sales organization. (H-A; H-I)

9. Production technology of each SBU

For the company as a whole, the production technology includes batch, assembly, and continuous processes. Service functions are quite varied and complex. (H-A; H-I)

For the SBU's studies, I would rate their needs based on production technology as follows:

Division	Product Technology	Adaptation	Integration
A	continuous	L	H
B	service (varied)	M	M
C	service (complex)	H	H
D	batch	H	L

10. Product life-cycle posture

The firm has 13 Strategic Business Groups in the mature stage, 9 in the growth stage, 1 in the start-up stage and none in decline.

The company is thus dominated by mature products but also has a significant number of products in the growth stage. (H-A; H-I)

11. Risk exposure

Three Strategic Business Groups appear to rely on the same seasonality pattern. At least three Strategic Business Groups rely on the same raw materials (grains). Over half the Groups can be said to rely on the same customers. (H-A)

12. General Analysis of Diversity, Strategy, and Structure

In summary form then, the following is a general analysis of the needs of the firm based on diversity, strategy, and structure:

	Adaptation Need			Integration Need		
Factor number	H	M	L	H	M	L
1	X			X		
2	X			X		
3		X			X	
4-6		X			X	
7						X
8	X			X		
9	X			X		
10	X			X		
11	X					
General Pattern	6	2	0	5	2	1

II. Company's Operating Results and Balance Sheet Information

1. Financial Ratios

The debt-equity ratio, earnings per share, and the price earnings ratio all show clearly favorable trends. (H-A for each ratio)

2. <u>Profit and Loss Statement Interpretation</u>

Net Sales and Net Profits show clearly favorable trends. (H-A for each)

Exact figures for the Product versus Process Research and Development are not available. However, based on my judgement, I would class the product orientation as medium. (M-A; M-I)

Advertising expense for 1976 constitutes 4.3% of sales. (L-A)

Depreciation expense is approximately 50% of new fixed investments in 1976. (L-A)

3. <u>Funds Flow Statement Interpretation</u>

Based on an examination of funds flow patterns for 1972, 1974, and 1976, the following statements seem to hold true:

There has been a considerable increase in dividends. There is evidence of considerable change in the company's portfolio through acquisitions and/or divestitures. There have been net increases in working capital. (H-A)

4. <u>Debt-equity ratio as a constraint on strategy</u>

The debt-equity ratio is a major constraint for the firm owing to the desire to maintain the present bond rating. (H-I)

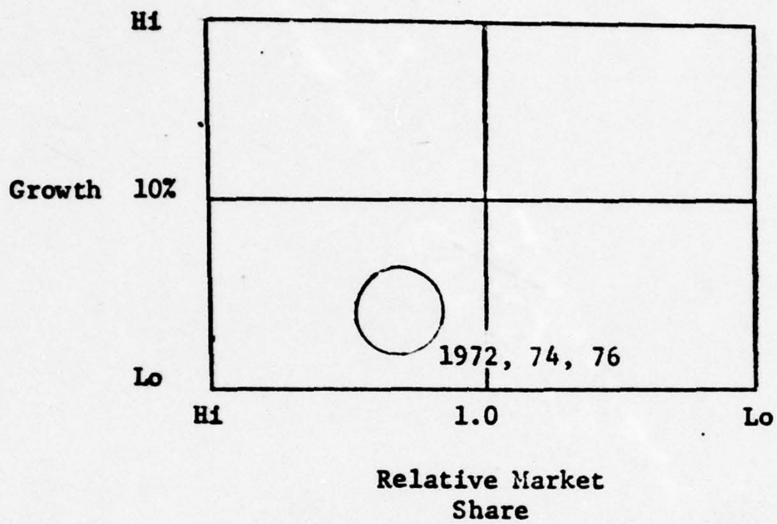
5. <u>General Analysis of Financial Results</u>

In summary then the following pictures the needs of the firm based on an analysis of the financial situation:

Factor		Adaptation Need H	M	L	Integration Need H	M	L
1.	Item 1	X					
	Item 2	X					
	Item 3	X					
2.	Item 1	X					
	Item 2	X					
	Item 3		X			X	
	Item 4			X			
	Item 5			X			
3.	Item 1	X					
	Item 2	X					
	Item 3	X					
4.					X		
General Pattern		8	1	2	1	1	0

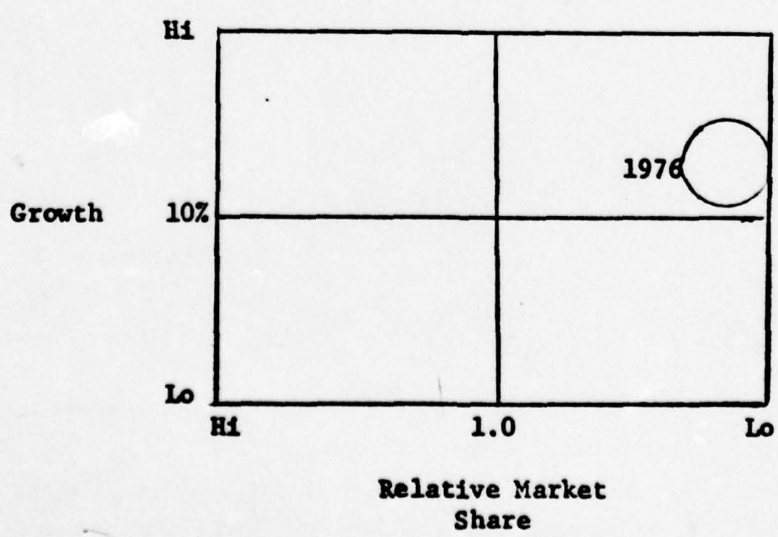
III. Competitive Position of a Strategic Business Unit

Division A:



In Divisions B and C, the market and competition are not defineable. However, an attempt will be made to subjectively assess the needs based on the competitive position issues as indicated.

Division D:



The needs based on competitive position are as follows:

Issue	Division A	Division B	Division C	Division D
1. Position this year	L-A; H-I	M-A; M-I	H-A; H-I	L-A; L-I
2. Vertical movement over last 6 years	M-A	M-A	H-A	H-A
3. Horizontal movement over last 6 years	M-I	M-I	M-I	M-I
4. Competitor's market share relative to this division	H-I	M-I	M-I	H-I

Funds Flow Position	Division A	Division B	Division C	Division D
Large Negative			H-A; L-I	
Modest Negative				
Breakeven				
Modest Positive		M-I; L-A		
Large Positive	H-I; L-A			H-I; L-A

Integration Measures	A	B	C	D
1. Labor efficiency plays a major role in success of SBU	M	L	M	M
2. New process developments and improved methods play major role in success of SBU	L	L	L	L
3. Product redesign for cheaper manufacturing plays a major role in success of SBU	M	L	L	M
4. Substitution in product plays major role in success of SBU	L	L	L	L
5. Product pricing is closely related to production costs	H	M	H	H

Adaptation measures

	Division			
	A	B	C	D
1. Product differentiation is a key factor in success of SBU	L	M	H	H
2. Building with shared experience is a key factor in success of SBU	M	M	M	M
3. External influences are key factors in success of SBU	M	L	M	M
4. New products are key factor in success of SBU	L	M	H	H
5. Price and Quality follow each other closely	L	M	H	M
6. Market leader has a long time protection	L	L	L	L

Product Strategy Positioning

	Division			
	A	B	C	D
1. Reduce price to discourage new competitive capacity		M-A; M-I		
2. Utilize own capacity fully	H-A; H-I	H-A; H-I	H-A; H-I	H-A; H-I
3. Invest to increase market share		H-A; H-I		M-A; M-I
4. Concentrate on segment which can be dominated	H-A; H-I	H-A; H-I	H-A; H-I	H-A; H-I
5. Hold market share by improving quality, increasing sales effort or advertising	H-A; H-I	H-A; H-I	H-A; H-I	H-A; H-I
6. Withdraw from market; hold market share by keeping prices/costs below market leaders	NOT REPRESENTATIVE			
7. Maximize cash flows by reducing investments, development expenses	NOT REPRESENTATIVE			
8. Withdraw from market	NOT REPRESENTATIVE			
9. Maximize trade/consumer promotion	H-A; H-I	H-A; H-I	H-A; H-I	H-A; H-I

Managerial Positioning

Role	A	B	C	D
		Division		
Sophisticated Market Manager	H-A	H-A		H-A
Entrepreneur			H-A	
Style				
Flexible/participation			H-A	
Less flexible/leadership	H-A	H-A		H-A
Policies/Procedures				
Few or none			H-A	
More		M-A		M-A
Many	L-A			
Compensation				
Balanced between fixed and variable	H-A	H-A	H-A	H-A

Risk Environmental Factor	Division A	B	C	D
1. General level of economy		L-A; L-I	H-A; L-I	H-A; L-I
2. Rate of technology change		H-A; M-I	M-A; M-I	M-A; L-I
3. Changing customer requirements		H-A; L-I	H-A; L-I	H-A; L-I
4. Changing demand patterns		H-A; L-I	M-A; L-I	H-A; L-I
5. Changing competitor strategy	H-A; L-I	H-A; L-I	M-A; H-I	H-A; H-I
6. Entry of new competitors		H-A; L-I	M-A; H-I	M-A; H-I
7. Material or supply shortage	L-A; M-I	L-A; L-I	M-A; L-I	L-A; L-I
8. Changing material or labor cost	L-A; M-I	M-A; L-I	L-A; L-I	L-A; L-I
9. Availability of substitute products		H-A; M-I	H-A; L-I	M-A; L-I
10. Changing government or tax policies	L-A; H-I	L-A; L-I	M-A; L-I	L-A; L-I

General Analysis:
Competitive Position and Risk - Division A

Factor Class		Adaptation Need			Integration Need		
		H	M	L	H	M	L
S. B. U. Position:	Item 1			X	X		
	2		X				
	3					X	
	4				X		
Funds Flow Position				X	X		
Integration Measures:	Item 1					X	
	2						X
	3					X	
	4						X
	5				X		
Adaptation Measures:	Item 1			X			
	2		X				
	3		X				
	4			X			
	5			X			
	6			X			
Product Strategy Position:	Item 1						
	2	X			X		
	3						
	4	X			X		
	5	X			X		
	6						
	7						
	8						
	9	X			X		
Managerial Positioning:	Item 1	X					
	2	X					
	3			X			
	4	X					
Risk:	Item 5	X					X
	7			X		X	
	8			X		X	
	10			X	X		
General Pattern		8	3	10	9	5	3

General Analysis:
Competitive Position and Risk - Division B

Factor Class		Adaptation Need			Integration Need		
		H	M	L	H	M	L
S. B. U. Position:	Item 1		X			X	
	2		X				
	3					X	
	4					X	
Funds Flow Position				X		X	
Integration Measures:	Item 1						X
	2						X
	3						X
	4						X
	5					X	
Adaptation Measures:	Item 1		X				
	2		X				
	3			X			
	4		X				
	5		X				
	6			X			
Product Strategy Position:	Item 1		X			X	
	2	X			X		
	3	X			X		
	4	X			X		
	5	X			X		
	6						
	7						
	8						
	9	X			X		
Managerial Positioning:	Item 1	X					
	2	X					
	3		X				
	4	X					
Risk:	Item 1			X			X
	2	X				X	
	3	X					X
	4	X					X
	5	X					X
	6	X					X
	7			X			X
	8		X				X
	9	X				X	
	10	X				X	
General Pattern		14	9	6	5	8	12

General Analysis:
Competitive Position and Risk - Division C

Factor Class		Adaptation Need			Integration Need		
		H	M	L	H	M	L
S. B. U. Position:	Item 1	X			X		
	2	X					
	3					X	
	4					X	
Funds Flow Position				X		X	
Integration Measures:	Item 1					X	
	2						X
	3						X
	4						X
	5				X		
Adaptation Measures:	Item 1	X					
	2		X				
	3		X				
	4	X					
	5	X					
	6			X			
Product Strategy Position:	Item 1						
	2	X			X		
	3	X			X		
	4	X			X		
	5	X			X		
	6						
	7						
	8						
	9	X			X		
Managerial Positioning:	Item 1	X					
	2	X					
	3	X					
	4	X					
	Item 1	X					X
	2		X			X	
	3	X					X
	4		X				X
	5		X		X		
	6		X		X		
	7		X				X
	8			X			X
	9	X					X
	10		X				X
General Pattern		17	8	3	9	5	10

General Analysis:
Competitive Position and Risk - Division D

Factor Class		Adaptation Need			Integration Need		
		H	M	L	H	M	L
S. B. U. Position:	Item 1			X			X
	2	X					
	3					X	
	4				X		
Funds Flow Position				X	X		
Integration Measures:	Item 1					X	
	2						X
	3					X	
	4						X
	5				X		
Adaptation Measures:	Item 1	X					
	2		X				
	3		X				
	4	X					
	5		X				
	6			X			
Product Strategy Position:	Item 1						
	2	X			X		
	3						
	4	X			X		
	5	X			X		
	6						
	7						
	8						
	9	X			X		
Managerial Positioning:	Item 1	X					
	2	X					
	3		X				
	4	X					
	Item 1	X					X
	2		X				X
	3	X					X
	4	X					X
	5	X			X		
	6		X		X		
	7			X			X
	8			X			X
	9		X				X
	10			X			X
General Pattern		14	7	6	9	3	12

FACTOR	Alertness Towards Adaptive/Integrative Needs	Adaptive Needs	Integrative Needs
1. New as C.E.O.	X	H	
2. Few Years before Retirement	X		
3. Not relevant for scoring			
4. C.E.O.'s experience			
- marketing/general mgmt.	X		
- prod./finance/control			
- predominantly line		H	
- predominantly staff			
5. Promotion from Within?			H
Promotion from Outside?			
6. High Aptitude towards risk			
Low Aptitude towards risk			H
7. Consistent in risk-taking		H	H
Non-consistent in risk-taking			
8. High pressure towards short-term performance			
9. General:			
- major reorientation desire		H	H
- major increased performance		H	
- desire			
Overall Rating of Adaptive/Integrative Needs Stemming from C.E.O.'s Perceptions		H	H

The following section is entitled "Part Two: The Planning System: Interpretation" and begins on page 81 of the referenced working paper.

I. Structure of Planning System (First Examination of Planning System's Capabilities)

A. Adaptation

1. The objectives setting cycle and the Spring Programming cycle (contains both the programming and budgeting cycles) are two separate and distinct cycles. This distinction is found at the corporate and the Strategic Business Group levels. At the functional level, the distinction is not known although, owing to the time separation of the cycles, the separation probably exists throughout the organization.

2. It is relatively easy to identify a set of planning outputs that are specifically relevant to and recognize the strategy of the corporate, group, and division (Strategic Business Group) levels.

3. The objectives setting cycle takes place over a period of 6 months for the corporate, group, and division levels. The Spring Programming cycle takes place in a period of 3 months. The corporate level is involved in the budgeting phase only in a consolidating function.

4. Based on an examination of the flow chart of the firm's planning system which I constructed, the adaptive capability of the system is as follows:

Factor	Adaptive Capability of System: Strong	Medium	Weak
1. General emphasis on left hand side versus right hand side of the "3x3"	X		
2. Appropriate shape of flow for adaptation	X		
3. Appropriate continuity of flow for adaptation	X		

5. Based on the history of the evolution of the planning system, the general adaptation capabilities of the planning system in the near-term past appear to have been strong. In the more distant past this capability seemed to be strong to medium. The adaptive capabilities of the system evolved with a planned intent rather than as a reaction to crises.

B. Integration

1. The lower levels (functions) spend considerably more time on the Spring Programming cycle than on the objectives setting cycle while the opposite is true for the higher levels. It is also true of course that lower levels perceived to be "in trouble" at the higher levels receive a great deal more attention from the higher level than a unit performing acceptably.

2. Based on an examination of the flow chart of the system, the integrative capability of the system appears to be as follows:

Factor	Integrative Capability of System Strong	Medium	Weak
1. General emphasis on right hand side versus left of "3x3"		X	
2. Appropriate stages/levels of integration		X	
3. Appropriate shape of flow chart for integration		X	
4. Appropriate continuity of flow for integration		X	

3. Based on an assessment of the history of the planning system, the general integrative capabilities of the system seemed to be medium in both the near-term and more distant past. The integrative capabilities of the system have been strengthened in an evolutionary manner rather than as a reaction to crises.

II. Design Features of Planning System

A. Adaptation

1. Linkage

While the corporate planner is indeed heavily involved in the objectives setting cycle, the role of the controller is less sure. The controller is a member of the Executive Review Committee. As such he formally plays a role in the objectives setting cycle as an individual but this role would in all likelihood be quite situation specific.

I would thus conclude that this role typifies a strong adaptive capability in the system.

The objectives setting process is clearly separated from the programming and budgeting process, also indicating a high adaptive capability of the system.

The timing of the cycles during the year and their separation would also indicate loose linkage and thus high adaptive capability.

2. Nature of superior management's review

The Chief Executive Officer, Chief Operating Officer, Group Vice Presidents, and division Vice Presidents play a heavy role in the objectives setting cycle. This role involves a significantly higher proportion of time than during the budgeting phase the higher one is in the organization. The corporate planner's only role during the budgeting phase is to insure that programs fit approved strategies. During the budgeting phase, the corporate controller and his staff along with the controllers at lower levels are very heavily involved.

The quality of the review given plans by superior management is said to be very penetrating also indicating a high adaptive capability.

3. Open-endedness during objectives setting

The nature of the guidelines given to the Strategic Business Groups is relatively open-ended and unconstrained. The objectives set for the company as a whole are relatively ambitious in keeping with recent past performance. The corporate guidelines are neither predominately stretch not constraining but are tailored to the situation and lean more toward stretch in line with the company's growth goals.

The Chief Executive Officer thinks through the consequences of major environmental happenings on his key strategies in an informal manner although particular happenings may be analyzed in a

systematic, formal manner by the Corporate Planning Department or at the Strategic Business Group level. The Strategic Business Groups are required formally to address significant environmental factors which may have a bearing on the conduct of their business during the objectives setting phase. The functional level, as near as can be determined, is involved in setting objectives to a minor extent only, although this extent varies considerably. The Chief Executive Officer communicates his thinking or strategic matters in writing only seldom.

4. Functional Programming activities

The effectiveness of the functional programming activities is assessed as medium because of the lumping together of the programming and budgeting phases in one cycle. The emphasis on producing a budget surely has a tendency for satisficing when a program selection which must be budgeted is made. Thus it is probable that less than optimum program selections are made owing to the need to produce a budget on "something".

Most strategic programs are summed up at least once each year. Most programs are also assessed each year. Financial implications of programs are analyzed quite specifically for the hurdle Return on Investment. Assessment of customers' needs is a major driving factor behind many new product strategies. Conflict between functional departments was not observed to be a significant in the process.

5. Environmental scanning

Scanning activities are clearly identifiable in the flow of the

system and are illustrated by the economic and business trend analysis published by the Corporate Planning Department at the beginning of the cycle. They are thus based on generally perceived needs. Specific scanning is done by the department in response to requests from within the organization. For highly unpredictable factors, the department makes use of several environmental forecasting agencies and appears to intensify its efforts. Otherwise, the persons responsible, techniques employed, and the organizational activities apparently have no significant differences for highly unpredictable versus highly predictable environmental factors.

6. <u>Linkage to performance</u>

Performance against objectives is monitored by line management in an informal and qualitative manner. Programs and budgets, on the other hand, are monitored much more formally and quantitatively. In the objectives setting cycle, the variables looked at tend to be primarily qualitative while during the programming/budgeting phase the variables are more quantitative. Objectives are reviewed formally annually and informally as the situation requires. Budgets are reviewed on a monthly basis to monitor performance.

The monitoring of objectives/programs/budgets is:

	(at each of the following stages)	
	Objectives Setting	Spring Programming
- continuous; steering control		X
- semi-continuous; some steering control, some "go-no-go" control		X
- post facto; learning control	X	

The individual bonus is based on performance evaluation based on both fixed and variable items. Fulfillment of the budgeted funds is an important factor which is objectively judged. A subjective judgement on the fulfillment of the objectives (long-range) also affects the amount of the bonus.

Use of Strategic Planning Models and Strategic Planning Techniques

The Corporate Planning Department does not use a model for planning purposes. The utility of such a corporate model is considered to be marginal. Various divisions used models with primarily an integrative function. The Corporate Controller uses a computer model primarily for speed in calculations in an integrative fashion. Thus, there is no attempt made to use a corporate model for adaptive purposes. The company considers its usage of models successful.

Specific Planning Techniques

The company has a good working knowledge of the approach of the major consultants towards business planning analysis. The major consultants have made sales type presentations to the firm but have not actively consulted. The company does subscribe to the major econometric forecasting services. The studies received form the basis for the business and economic trends monitored and published by the Planning Department in its monthly newsletter and during the long range planning cycle. This use thus facilitates adaptation on the part of the corporation as a whole and serves the integrative function of providing common assumptions for the long range planning process.

The Management Control System/Capital Budgeting System

At both the corporate and Strategic Business Group levels, projections

of cash receipts and disbursements and resulting cash balances based on the budgeted activities of the organizational units are used. Uncertainty is accounted for through the use of discount factors applied to volume projections. A more detailed set of schedules appropriate to the key functions in the organization are made by the Strategic Business Groups during the Spring Programming cycle and consolidated at the Group and Corporate levels.

The Strategic Business Groups (divisions) are classified as profit centers; that is, organizational units whose unit manager has control over revenues and costs.

Pricing and costing vary throughout the corporation and include variable, contribution, and full-cost pricing.

Capital appropriations requests contain a calculation of the Return on Investment. A narrative portion contains a sensitivity analysis of potential effects from environmental factors which might have a significant effect on the budget. Uncertainty is accounted for by the use of discount factors which are applied to volume projections in making cash flow projections. The forms used provide no space for indicating how the investment fits into an approved strategy or budget.

The approval levels for capital expenditures as indicated in the corporations's "Manual of Capital Investment Procedures" is as follows:

Approval Amount	Approval Required
$75,000 and under	As delegated by operating unit's Executive Vice President
over $75,000 through $200,000	Executive Vice President and Corporate Controller
over $200,000 through $500,000	Corporate Controller, Treasurer, Director of Engineering, Chief Financial Officer, Chief Operating Officer and Chief Executive Officer
over $500,000	Above approvals plus Board of Directors

The major criteria for approval are fit to an approved strategy and the return on investment. Occassionally, projects not included in an approved strategy may be approved on an exceptional basis.

The commitment to launch a strategic project is based largely on an analysis of strategic considerations although the hurdle rate for Return on Investment is always applicable and not waived.

Resource allocation is thus decided as a part of the planning process in the determination of long range strategies. The capital request procedures serve as a refinement of financial detail used to track the project as it progresses.

Management Information System

The company appears quite confortable with the system now in place. No major efforts are under way to devise new systems.

Internal financial data are defined in a consistent manner to facilitate consolidation at higher levels. Historical financial data is available but must be compared cautiously due to reorganizations and acquisitions.

For the typical line manager, the system appears to place a high importance on monetary incentives, promotion and prestige within the organization.

The following section is entitled "Part Three. Validation of Usefulness of Planning Process" and begins on page 96 of the referenced Working Paper.

A. Checklist of Effectiveness of Planning

For each of the following factors an attempt has been made to assess the degree to which the system is designed and functioning in accordance with the factor. The rating of each factor is as follows: strongly agree, some degree of agreement, or little degree of agreement as defined in the referenced working paper.

Factors

1. The planning system is useful in developing better long-range objectives and strategies for each of the businesses. (strongly agree)
2. The planning system is providing adequate competitor analysis; i.e. assessment of the impact of potential competitor moves on the company's own plans and foreseeing major future competitive threats. (strongly agree)
3. The planning system is useful in developing new alternatives for strategic redirections; i.e. generating new ideas and new opportunities. (strongly agree)
4. The planning system is providing a *de facto* vehicle for deciding which major strategic options to follow. Thus, decisions follow from the plans, which are not merely planning documents that have

little impact on the firm's direction. (strongly agree)

5. The planning system serves as an important vehicle for communication of the strategic directions that the company is following. It is a useful communication system. (strongly agree)

6. The planning system serves as a "language" among managers of the company in that it provides a set of rules for how strategic decisions are taken and provides the framework for normalizing the assumptions and definitions upon which a strategic decision is formulated. (strongly agree)

7. The planning system provides a vehicle for evaluating managers' performance towards strategic management, as a supplement to the traditional short-term performance evaluation. (strongly agree)

8. The Chief Executive Officer thinks the planning system is useful to him as a vehicle for managing the strategic direction of the company. He feels that the planning system has a definite impact on the quality of his strategic management of the firm. (strongly agree)

9. Major line managers think the planning system is useful to them as a vehicle for improving the quality of their strategic management functions. (strongly agree)

10. The planning system provides the company with a more reliable basis for its operations so that it is better able to carry out its activities with no major surprises. (strongly agree)

11. The planning system is generally "accepted" by the major line managers as a useful management tool and there is relatively little "fighting" of the system. (some degree of agreement)

12. Generally speaking, the company performance has been, in the opinion of the company's major actors, better than others in the industry not doing comprehensive managerial planning. (strongly agree)

13. To the extent indicated, the company has avoided the following pitfalls and inconsistencies in its planning:

    (a). Top management's assumption that it can delegate major parts of its involvement to a staff planner. (avoided completely)

    (b). Top management is becoming so engrossed in current problems that it spends insufficient time on long-range planning and the process thereby becomes discredited among other managers and staff. (completely avoided)

    (c). There is a failure to develop company goals that are operational enough to be suitable as a basis for formulating long-range plans. (fairly completely avoided)

    (d). There is a failure to assume the necessary involvement in the planning process of major line personnel. (fairly completely avoided)

    (e). There is a failure to use plans as a standard for measuring managerial performance. (fairly well avoided)

    (f). There is a failure to create a climate in the company which is congenial and not resistant to planning. (fairly completely avoided)

    (g). There is a general assumption that comprehensive planning is something separate from the entire management process. (fairly completely avoided)

(h). The company has been injecting so much formality into the system that it lacks flexibility, looseness, and simplicity, and restrains creativity. (fairly well avoided)

(i). There is a failure of top management to review with divisional heads the long-range plans which they have developed. (completely avoided)

(j). Top management is consistently rejecting the formal planning mechanism by making intuitive decisions which conflict with the formal plans (fairly well avoided)

(k). The system is implicitly weighing budgeting rather than strategic planning. (fairly well avoided)

(l). The planning system is not consistent with the nature of the basic businesses involved. (fairly well avoided)

(m). The planning system is not dynamic enough to ensure that effort and creative thinking will be applied to it each year. (fairly well avoided)

(n). There is not any way for managers to learn what strategic planning is all about, especially in the early years. (fairly well avoided by an attempt at education, but recognized as a problem)

B. Stability of Financial Indicators

A comparison of 1976 actual financial figures with those estimated in previous plans was not possible since the firm declined to use such a comparison as a measure of "accuracy" of planning. The firm claims to make no such use internally.